

SHEARMAN & STERLING LLP
Fredric Sosnick
Edmund M. Emrich
599 Lexington Avenue
New York, New York 10022
Telephone: (212) 484-4000
Facsimile: (212) 484-7179

Counsel for Citibank, N.A.

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----)	
In re:)	Case No. 12-12020 (MG)
)	
RESIDENTIAL CAPITAL, LLC, <u>et al.</u> ,)	Chapter 11
)	
Debtors.)	Jointly Administered
-----)	

**STATEMENT OF CITIBANK, N.A. WITH RESPECT TO
THE DEBTORS' MOTION FOR ENTRY OF AN ORDER TO
PERMIT THE DEBTORS TO CONTINUE USING CASH COLLATERAL**

TO THE HONORABLE MARTIN GLENN
UNITED STATES BANKRUPTCY JUDGE:

Citibank, N.A. ("**Citibank**") has no objection to the relief sought in the *Debtors'* *Motion for Entry of An Order to Permit the Debtors to Continue Using Cash Collateral* [Docket No. 3374] (the "**Cash Collateral Continuation Motion**") filed in the above-captioned cases, but files this statement in order to correct a factual misstatement contained therein and reserve all of its rights and remedies:

1. On May 14, 2012 (the "**Petition Date**"), the above-captioned debtors and debtors in possession (collectively, the "**Debtors**") filed for relief under title 11 of the United States Code. Prior to the Petition Date, Citibank entered into a secured revolving credit facility with GMAC Mortgage, LLC, as borrower, and Residential Capital, LLC, as guarantor (the "**Citibank MSR Facility**"). The Citibank MSR Facility was secured by certain mortgage

servicing rights (the “**MSRs**”) with respect to mortgage loans in Freddie Mac and Fannie Mae securitization pools and the proceeds thereof. The outstanding principal amount under the Citibank MSR Facility as of the Petition Date was approximately \$152 million. *See Affidavit of James Whitlinger, Chief Financial Officer of Residential Capital, LLC, in Support of Chapter 11 Petitions and First Day Pleadings*, dated May 14, 2012 [Docket No. 6], ¶ 62.

2. On May 15, 2012, the Court issued an interim order governing the Debtors’ use of Citibank’s cash collateral under the Citibank MSR Facility. *See Interim Order (I) Authorizing Use of Cash Collateral, (II) Granting Adequate Protection, (III) Modifying the Automatic Stay, and (IV) Scheduling a Final Hearing* [Docket No. 79]. Thereafter, on June 20, 2013, following a hearing, the Court issued its *Final Order (I) Authorizing Use of Cash Collateral, (II) Granting Adequate Protection, and (III) Modifying the Automatic Stay* [Docket No. 471] (the “**Final Citibank Cash Collateral Order**”).

3. Although Citibank has no objection to the Cash Collateral Continuation Motion, it is constrained to file this statement for the limited purpose of correcting an erroneous allegation in the Cash Collateral Continuation Motion and making clear that Citibank is reserving all of its rights and remedies with regard to the unpaid balance of its claims under the Citibank MSR Facility. Specifically, the Cash Collateral Continuation Motion states that the Citibank MSR Facility was “paid off in full.” Cash Collateral Continuation Motion, ¶ 19. However, as the Debtors are well aware, pending a resolution of the outstanding issue of default interest, Citibank has not been paid off in full, and the Debtors agreed that pending resolution of that claim they are required to continue abiding by the terms of the Final Citibank Cash Collateral Order.

4. On January 31, 2013, the Debtors completed the sale of a portion of their mortgage originations and servicing portfolio to Walter Investment Management Corp. (the “**Walter Sale**”). The Walter Sale included the Fannie Mae MSR portion of the Debtors’ servicing portfolio.¹ At the time of the closing of the Walter Sale, Citibank advised the Debtors that in addition to the \$152 million principal balance of its claim and the accrued and unpaid non-default interest of \$1,102,684, Citibank was entitled to receive default interest, as of January 31, 2013, in the amount of \$4,498,698.52. In order to avoid any interference with the closing of the Walter Sale or any related activities, the Debtors and Citibank agreed that Citibank would be paid the principal balance and accrued non-default interest relating to the Citibank MSR Facility at the closing, and the default interest issue would be left for later determination or resolution. At the Debtors’ request, Citibank has temporarily held off on seeking to collect on that portion of its claim, with the agreement that the Debtors would continue to abide by all terms of the Final Citibank Cash Collateral Order.

Dated: New York, New York
April 19, 2012

SHEARMAN & STERLING LLP

/s/ Fredric Sosnick
Fredric Sosnick
Edmund M. Emrich
599 Lexington Avenue
New York, New York 10022
Telephone: (212) 484-4000
Facsimile: (212) 484-7179

Counsel for Citibank, N.A.

¹ On February 15, 2013, the Debtors completed the second portion of their originations and servicing platform sale to Owcen Loan Servicing, LLC (the “**Ocwen Sale**”). The Ocwen Sale included the Freddie Mac MSR portion of the Debtors’ servicing portfolio, which also constituted Citibank’s collateral under the Citibank MSR Facility.